OCK Group

Staying Active Ahead of 5G Ramp Up

By Kylie Chan Sze Zan / kyliechan@kenanga.com.my

OUTPERFORM ↔

Price: RM0.42

Target Price: RM0.47 ↔

While awaiting major contract awards for Malaysia's second 5G network (NW2) and JENDELA Phase 2, OCK is keeping busy across various ventures and ongoing projects, including: (i) delivery of new telco towers for its new market in Laos, (ii) its dark fiber leasing project in Cyberjaya, (iii) fiber and WiFi deployments for MCMC, (iv) power backup solutions for data centers, and (v) rollout of in-building coverage (IBC) sites for U Mobile. We maintain our forecasts, TP of RM0.47 and OUTPERFORM call.

Key takeaways from OCK's 1QFY26 results briefing include:

Venture into Laos finally taking off. Following OCK's recent acquisition of Edotco's Laos operations (which includes 15 existing towers), the group has secured new tower purchase orders from local 5G operator Best Telecom (BT). OCK intends to begin construction in 2026, with delivery of the new towers targeted within a six-month time frame. Looking ahead, OCK is also aiming to secure additional orders from BT for up to 50 towers in 2026. To recap, back in May 2024, OCK entered into a 15-year build-and-lease tower agreement with BT,though the exact number of towers was not determined. Moving forward, following its successful venture into Laos, OCK is currently evaluating a potential regional towerco acquisition of approximately 5,000 sites.

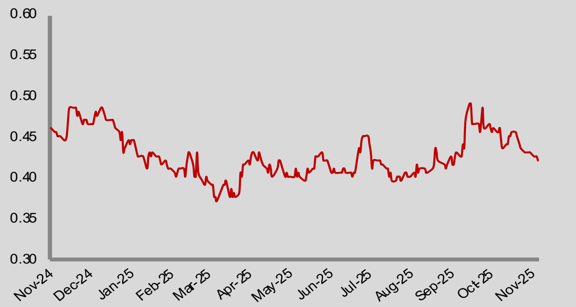
Dark fiber project attracts initial enquiries from data center operators. OCK is allocating approximately RM18m in capex for its new 42km dark fiber deployment in Cyberjaya, which is scheduled for completion by March 2026. The group has already received initial sales enquiries from several prospective data center (DC) operators, indicating early interest. To recap, OCK has been awarded a concession by the Cyberjaya municipal council to construct and lease dark fiber infrastructure to DCs within the area. Under this arrangement, OCK will share a portion of its leasing revenues with the council.

Expanding orderbook. OCK's outstanding order book expanded by 38% QoQ to RM360m (6QFY26: RM260m). The bulk (74%) of the order book (RM266m) is attributed to Telecommunication Network Solutions (TNS), with the remaining RM94m comprising non-TNS work. Within the non-TNS segment, the group's power solutions arm (EIPT) accounts for RM80m (6QFY25: RM70m), while the digital segment contributes a modest RM4m.

Of the TNS order book, RM58m relates specifically to MCMC-linked projects that are currently in progress. These include: (i) fiber-to-the-home installations for army camps in East Malaysia, (ii) a contract extension for the deployment and upgrade of WiFi access points across Malaysian universities, and (iii) a newly awarded contract to fiberize government schools in East Malaysia.

Tender book includes EIPT's bid for a Thai project. OCK's tender book has also inched up QoQ to RM1.8b (6QFY25: RM1.6b), driven primarily by bids from TNS (RM900m), digital solutions (RM500m), and EIPT (RM300m). Notably, the group's tender book does not include bids for the long-awaited RM4b JENDELA 2 project, as MCMC has yet to release the tender documents. Meanwhile, EIPT's pipeline includes a RM50m tender for a project in Thailand.

Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	-13.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OCK MK EQUITY
Market Cap (RM m)	447.1
Shares Outstanding	1,064.5
52-week range (H)	0.51
52-week range (L)	0.36
3-mthavg. daily vol.	2,091,233
Free Float	55%
Beta	1.0

Major Shareholders

Aliran Armada Sdn Bh	31.7%
Kaf Investment Funds	5.0%
Petroliam Nasional B	2.7%

Summary Earnings Table

FYE Jun^ (RMm)	2025*	2026F	2027F
Revenue	970.6	684.5	709.7
EBITDA	280.6	201.9	209.4
EBIT	119.2	90.9	95.9
PBT	81.3	57.5	64.0
Net Profit (NP)	**42.5**	**29.5**	**32.9**
Core PATAMI	**34.0**	**29.7**	**32.9**
Consensus (NP)	-	41.9	47.8
Earnings Revision	-	-	-
Core EPS (sen)	3.2	2.8	3.1
Core EPS Growth (%)	-11.3	-13.6	10.7
DPS (sen)	1.3	1.0	1.0
BVPS (RM)	0.6	0.6	0.7
Core PER (x)	13.1	15.2	13.7
PBV (x)	0.7	0.7	0.6
Net Gearing (x)	0.9	0.8	0.7
Div. Yield (%)	3.1	2.4	2.4

^FYE changed from Dec to Jun from FY24
**18-month period*

Keeping busy while waiting for NW2 deployment to finally ramp up. At present, U Mobile remains focused on upgrading its existing 4G sites for NW2 before progressing into other areas (eg. lease of new build-to-suit (BTS) sites). Nevertheless, OCK has already received early leasing enquiries from U Mobile for up to14 BTS sites in the Klang Valley. Meanwhile, OCK is actively rolling out 17 IBC sites for U Mobile. Having nearly completed an IBC site at One Utama Shopping Center, the group plans to commence work on an additional five buildings next. Based on current NW2 order flows, OCK expects to recognize RM50m–60m in revenue in FY27. However, revenue will likely snowball as U Mobile ramps up deployment and OCK bids for additional contracts.

Forecasts. Maintained.

Valuations. We also keep our TP of RM0.47 based on an unchanged 5.7x FY26F EV/EBITDA. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

Investment case. In addition to news flow and order book replenishment opportunities from NW2, we are optimistic on the outlook for EIPT, driven by strong earnings growth and its upcoming listing. This stems from EIPT's: (i) strong leverage on Malaysia's DC boom where almost all of its outstanding order book comprises power solutions for DCs, (ii) regional diversification into Thailand's fast-growing market, and (iii) proven capability in delivering niche Tier-IV mission-critical projects for DCs that generates relatively high margins (vis-à-vis) general purposes power infrastructure. These projects are expected to further strengthen OCK's stable recurring revenue base (which currently accounts for c. 50% of total revenue), primarily driven by tower leasing income and managed services. Given expectations of improved order book replenishment prospects from NW2 and EIPT's earnings growth momentum, we maintain our **OUTPERFORM** recommendation.

Risks to our call include: (i) additional asset impairments arising from operational challenges in Myanmar, particularly at tower sites located in conflict zones with restricted access which could lead to higher capex and impede maintenance, hence triggering service-level breaches and penalties, and (ii) absence or lower-than-expected returns on its redeemable preferential share (RPS) investment in a 116MW large-scale solar plant in Kedah, and (iii) country and political risks in frontier markets where OCK has exposure.

Income Statement

FYE Jun^ (RM m)	2022	2023	2025*	2026F	2027F
Revenue	617	723	971	684	710
EBITDA	**191**	**206**	**281**	**202**	**209**
Depreciation	(109)	(111)	(161)	(111)	(113)
EBIT	**82**	**95**	**119**	**91**	**96**
Net Interest Exp	(30)	(39)	(46)	(33)	(32)
Associates	(0)	(0)	(0)	(0)	(0)
Exceptionals	(4)	1	8	(0)	0
Profit Before Tax	**48**	**57**	**81**	**57**	**64**
Taxation	(10)	(14)	(24)	(12)	(13)
Minority Interest	(6)	(7)	(14)	(16)	(18)
PATAMI	**33**	**36**	**42**	**30**	**33**
Core Net Profit	**37**	**35**	**34**	**30**	**33**

Balance Sheet

FYE Jun^ (RM m)	2022	2023	2025*	2026F	2027F
Fixed Assets	758	816	804	762	719
Intangible Assets	187	192	187	187	187
Oth Fixed Assets	209	192	206	206	206
Inventories	87	113	117	154	156
Receivables	268	298	117	146	152
Other Curr Assets	70	150	305	305	305
Cash	70	245	153	207	284
Total Assets	**1649**	**2007**	**1890**	**1968**	**2008**
Payables	116	150	130	173	173
ST Borrowings	228	294	257	238	225
Other ST Liability	48	53	48	48	48
LT Borrowings	348	536	517	537	549
Other LT Liability	183	178	212	212	212
Net Assets	**725**	**796**	**726**	**761**	**800**
S'holders' Equity	639	707	665	684	706
Minority Interests	86	89	60	76	94
Total Equity	**725**	**796**	**726**	**761**	**800**

Cashflow Statement

FYE Jun^ (RM m)	2022	2023	2025*	2026F	2027F
Operating CF	31	167	160	166	190
Investing CF	(71)	(186)	(75)	(68)	(71)
Financing CF	42	186	(155)	(44)	(42)
Change In Cash	**2**	**167**	**(71)**	**54**	**77**
Free CF	(57)	70	43	98	119

Financial Data & Ratios

FYE Jun^	2022	2023	2025*	2026F	2027F
Growth					
Revenue	26%	17%	34%	-29%	4%
EBITDA	19%	8%	36%	-28%	4%
EBIT	26%	16%	25%	-24%	6%
PBT	8%	18%	43%	-29%	11%
Core Net Profit	6%	-4%	-3%	-13%	11%
Profitability					
EBITDA margin	31%	29%	29%	30%	30%
EBIT Margin	13%	13%	12%	13%	14%
PBT Margin	8%	8%	8%	8%	9%
Core Net Margin	6%	5%	4%	4%	5%
Eff. Tax Rate	21%	24%	30%	21%	21%
ROA	2.4%	1.9%	2%	1%	2%
ROE	5%	3%	5%	4%	5%
DuPont Analysis					
Net Margin	6.0%	4.9%	3.5%	4.3%	4.6%
Assets T'over (x)	0.4	0.4	0.5	0.3	0.4
Leverage (x)	2.3	2.5	2.6	2.6	2.5
ROE	5.2%	3.4%	5.0%	4.4%	4.7%
Leverage					
Debt/Asset (x)	0.3	0.3	0.3	0.3	0.2
Debt/Equity (x)	0.7	0.7	0.9	0.7	0.6
Net Debt (RM m)	506	585	621	567	491
Net Gearing (x)	0.8	0.8	0.9	0.8	0.7
Valuations					
Core EPS (sen)	3.5	3.6	3.2	2.8	3.1
DPS (sen)	0.0	1.0	1.3	1.0	1.0
BV/share (RM)	0.6	0.7	0.6	0.6	0.7
Core PER (x)	12.0	11.6	13.1	15.2	13.7
Div. Yield (%)	0.0	2.4	3.1	2.4	2.4
PBV (x)	0.7	0.6	0.7	0.7	0.6
EV/EBITDA (x)	5.7	5.4	6.0	5.7	5.4

^FYE changed from Dec to Jun from FY24
**18-month period*

Source: Kenanga Research

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
STOCKS UNDER COVERAGE																	
AXIATA GROUP BHD	MP	2.59	2.70	4.2%	23,792.4	Y	12/2025	5.8	5.9	-37.7%	2.8%	44.8	43.6	1.3	0.5%	11.0	4.2%
CELCOMDIGI BHD	OP	3.34	4.19	25.4%	39,183.2	Y	12/2025	14.4	16.1	-5.8%	11.6%	23.2	20.8	2.4	10.4%	12.0	3.6%
MAXIS BHD	MP	4.06	3.56	-12.3%	31,810.4	Y	12/2025	19.7	19.1	8.8%	-3.0%	20.6	21.2	5.1	25.5%	16.0	3.9%
OCK GROUP BHD	OP	0.420	0.430	2.4%	447.1	Y	06/2026	2.5	2.8	-12.6%	10.8%	16.5	14.9	0.7	4.4%	1.0	2.4%
TELEKOM MALAYSIA BHD	OP	7.48	8.86	18.4%	28,706.3	Y	12/2025	52.3	52.8	-2.7%	1.1%	14.3	14.2	2.6	19.2%	37.0	4.9%
TIME DOTCOM BHD	OP	5.24	6.12	16.8%	9,687.8	Y	12/2025	25.8	28.2	9.2%	9.1%	20.3	18.6	2.5	11.1%	28.0	5.3%
SECTOR AGGREGATE					**133,627.2**					**-4.9%**	**3.7%**	**21.4**	**20.6**	**2.4**	**11.8%**		**4.1%**

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
GENERAL	Corporate Social Responsibility	★	★	★		
GENERAL	Management/Workforce Diversity	★	★	☆		
GENERAL	Accessibility & Transparency	★	★	★		
GENERAL	Corruption-Free Pledge	★	★	★		
GENERAL	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Cyber Security	★	★	☆		
SPECIFIC	Employee Training	★	★	★		
SPECIFIC	Energy Efficiency	★	★	★		
SPECIFIC	Digital Transformation	★	★	☆		
SPECIFIC	Protection of Customer Data	★	★	☆		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my